

KOREAN RESOURCE CENTER, INC.

Audited Financial Statements with Independent Auditor's Report

December 31, 2018



KOREAN RESOURCE CENTER, INC.

Table of Contents

December 31, 2018

INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-14





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Korean Resource Center, Inc.

We have audited the accompanying financial statements of Korean Resource Center, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Board of Directors of
Korean Resource Center, Inc.
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Korean Resource Center, Inc. at December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 2, Korean Resource Center, Inc. adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of ASU 2016-14 have been applied to the period presented.



JYK Accountancy Corporation
Certified Public Accountants

Los Angeles, CA
June 7, 2019



KOREAN RESOURCE CENTER, INC.

Statement of Financial Position

December 31, 2018

Assets

Cash and cash equivalents	\$ 703,229
Accounts receivable, net	55,001
Pledges receivable	14,500
Grants receivable	325,432
Fixed assets, net	2,741,006
Other assets	<u>53,794</u>
Total assets	<u>\$ 3,892,962</u>

Liabilities and net assets

Liabilities

Accounts payable	\$ 3,527
Accrued expenses	88,827
Deferred revenue	593,750
Regrant payable	47,908
Note payable	<u>2,168,168</u>
Total liabilities	2,902,180

Net assets

Net assets without donor restrictions:	
Undesignated	834,067
Net assets with donor restrictions:	
Purpose restricted	<u>156,715</u>
Total net assets	<u>990,782</u>
Total liabilities and net assets	<u>\$ 3,892,962</u>

The accompanying notes are an integral part of these financial statements.

KOREAN RESOURCE CENTER, INC.

Statement of Activities

For the Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
Support and revenues:			
Contributions	\$ 67,265	\$ -	\$ 67,265
Grants - general	-	1,307,461	1,307,461
Grants - government	-	963,700	963,700
Program	24,610	-	24,610
Membership dues	52,747	-	52,747
In-kind donations	56,008	-	56,008
Fundraising	203,744	-	203,744
Interest income	2,881	-	2,881
Rental income	24,765	-	24,765
Net assets released from restrictions	2,114,446	(2,114,446)	-
Total support and revenues	2,546,466	156,715	2,703,181
Expenses:			
Program Services	2,044,909	-	2,044,909
Management and general	284,057	-	284,057
Fundraising	126,057	-	126,057
Total expenses	2,455,023	-	2,455,023
Change in net assets	91,443	156,715	248,158
Net assets at beginning of year	742,624	-	742,624
Net assets at end of year	\$ 834,067	\$ 156,715	\$ 990,782

The accompanying notes are an integral part of these financial statements.

KOREAN RESOURCE CENTER, INC.

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services					Supporting Services		
	Civic Engagement	Housing	Health Access	Immigrant Rights	Digital	Management & General	Fundraising	Total
Advertising and promotion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,810	\$ 27,810
Bank service charges	-	-	-	-	-	620	-	620
Business license and permit	-	-	-	3,200	-	-	-	3,200
Community support	20,108	-	-	1,000	-	11,350	-	32,458
Depreciation & amortization	-	-	-	-	-	9,036	-	9,036
Dues and subscriptions	1,018	1,995	-	4,902	17	6,654	-	14,586
Independent contractors	166,672	15,294	24,480	41,875	-	-	6,390	254,711
Insurance	36,801	1,030	1,206	34,286	8,317	17,834	4,834	104,308
Interest	4,500	-	-	12,052	-	12,242	-	28,794
Meals and entertainment	28,014	2,909	959	9,189	-	10,998	414	52,483
Meetings and conference	-	-	-	184	-	-	-	184
Merchant service fees	207	23	23	-	85	1,673	140	2,151
Office expense	28,585	1,046	810	26,384	3,525	7,845	1,608	69,803
Payroll expense	580,686	87,209	11,743	432,482	127,821	110,075	58,511	1,408,527
Professional fees	10,598	500	500	4,999	300	12,808	500	30,205
Regrant	-	-	-	157,987	-	-	23,338	181,325
Rent expense	17,774	1,848	150	10,490	-	59,372	1,624	91,258
Repair and maintenance	108	-	-	107	-	1,570	-	1,785
Taxes	-	-	-	-	-	1,424	-	1,424
Telephone and internet	22,074	1,622	981	11,943	5,800	3,291	265	45,976
Travel & conference	65,985	931	79	7,254	2,242	17,265	623	94,379
	<u>\$ 983,130</u>	<u>\$ 114,407</u>	<u>\$ 40,931</u>	<u>\$ 758,334</u>	<u>\$ 148,107</u>	<u>\$ 284,057</u>	<u>\$ 126,057</u>	<u>\$ 2,455,023</u>

The accompanying notes are an integral part of these financial statements.

KOREAN RESOURCE CENTER, INC.

Statement of Cash Flows

For the Year Ended December 31, 2018

Cash flows from operating activities

Increase (decrease) in net assets	\$ 248,158
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	9,036
Changes in operating assets and liabilities:	
Accounts receivable	(55,001)
Pledges receivable	(14,500)
Grants receivable	(47,722)
Other assets	1,867
Accounts payable	3,527
Other payables and accrued expenses	61,620
Deferred revenue	344,267
Regrant payable	<u>(100,389)</u>
Net cash provided by (used in) operating activities	450,863

Cash flows from investing activities

Purchase of property and equipment	<u>(2,724,526)</u>
Net cash provided by (used in) investing activities	(2,724,526)

Cash flows from financing activities

Proceeds from loans	<u>2,168,168</u>
Net cash provided by (used in) financing activities	<u>2,168,168</u>

Net increase (decrease) in cash and cash equivalents	(105,495)
Cash and cash equivalents, beginning of period	<u>808,724</u>
Cash and cash equivalents, end of period	<u><u>\$ 703,229</u></u>

The accompanying notes are an integral part of these financial statements.

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – ORGANIZATION

Mission and Nature of Activities

Korean Resource Center, Inc. (“the Organization”) is a California nonprofit organization that was formed in August 12, 1983 to assist low-income, immigrant, Asian American and Pacific Islander, and people of color communities in Southern California.

The Organization’s mission is to promote Korean history and cultural appreciation, provide social services to the Korean community, empower the Korean American community through civil education and civic participation, and provide affordable housing for primarily low-income persons in the city of Los Angeles, particularly Koreatown. The Organization has three offices: Crenshaw office (primary office) and Kingsley office in Los Angeles, California, and the third office in Fullerton, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets be displayed in the statement of financial position and that the amounts of change in each of those classes of net assets be displayed in the statement of activities.

In accordance with U.S. generally accepted accounting principles (U.S. GAAP), the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restriction – net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (if any)

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates (continued)

at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with a maturity of three months or less. Cash with long term donor restrictions is considered a noncurrent asset. Organization maintains its cash and cash equivalents with high credit, quality financial institutions, which, at times, may exceed federally insured limits.

Provision for Doubtful Accounts

All receivables, as stated in the financial statements, are deemed by the Organization's management to be fully collectible. Accordingly, no allowance for doubtful accounts has been established at December 31, 2018.

Contributions and Promises to Give

Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as with donor restriction if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Services and Materials

Donated services are reported as in-kind donations if such services create or enhance non-financial assets or if they would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. Donated services are recognized at their estimated fair values at date of receipt. During the year ended December 31, 2018, the Organization received donated office spaces. The fair market value of these donations was \$52,500. The total amount of the in-kind donations reported on the statement of activities in 2018 is \$56,008.

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Receivable

Grants receivable represent sponsorships pledged but not yet received. Grants receivable, which are uncollateralized, are stated at the amount appeared on the memorandums of understanding. Grants received in advance are recorded as deferred grant revenue and recognized as revenue in the following year.

Fixed Assets

Fixed assets are recorded at cost. The Organization capitalizes assets whose costs are in excess of \$1,000. Depreciation is computed using the strait-line method over estimated useful lives of three to seven years. Amortization of leasehold improvements is taken over the term of the lease or the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Deferred Revenue

The Organization receives certain grants from various organizations. These grants are allocated according the specified requirements and time frames. Any funds received during the current year that are to be used in the future are recorded as deferred revenue.

Functional Allocation of Expenses

The statement of activities reports expenses by both natural and functional classification. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. General operating costs across nearly all natural categories are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization has received a determination letter from the Internal Revenue Service stating that the Organization are exempt from federal income taxes under Section 501(c)(3), except for income taxes pertaining to unrelated business income.

ASC 740 requires that organizations must recognize the tax impact of a tax position taken on a tax return when it is more likely that not that the position will not be sustained on audit, based on the technical merits of the position. The Organization does not believe there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits.

The Organization filed Internal Revenue Service Form 990 tax returns as required. No provision for income taxes is reflected in the financial statements and on the Form 990 tax returns. The fiscal years ended 2015, 2016, 2017 and 2018 are still open to audit for both federal and state purposes.

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expendable Restricted Resources

Operating funds restricted by the grantor for particular operating purposes are deemed to be earned and reported as revenues of operating funds when the Organization has incurred expenditures in compliance with the specific restrictions.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for non-profit organizations and enhance their required disclosures. The major changes impacting the Organization include: (1) requiring the presentation of only two classes of net assets now titled “net assets with donor restriction” and “net assets without donor restriction”, (2) requiring that all non-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclosure a summary of the allocation methods used to allocate costs, (3) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (4) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of non-profit financial statements. The Organization has adopted ASU 2016-14 as of and for the year ended December 31, 2018. As a result, the Organization changed its presentation of net asset classes and expanded footnote disclosures as required by ASU 2016-14.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods. The reclassifications had no impact on previously reported net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Total financial assets at year-end:	<u>December 31, 2018</u>
Cash and cash equivalents	\$703,229
Accounts receivable, net	55,001
Pledges receivable	14,500
Grants receivable	<u>325,432</u>
Total financial assets at year-end	1,098,162
Less amounts not available to be used within one year:	
Donor restricted grants receivable	<u>(156,715)</u>
Total amounts not available to be used within one year	<u>(156,715)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$941,447</u>

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – LIQUIDITY AND AVAILABILITY (continued)

The Organization receives contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

NOTE 4 – FIXED ASSETS

Fixed assets as of December 31, 2018, are summarized as follows:

	<u>December 31, 2018</u>
Building	\$1,024,757
Furniture and equipment	136,217
Building improvement	33,268
Land	1,666,500
Less accumulated depreciation	<u>(119,736)</u>
Fixed assets, net	<u>\$2,741,006</u>

The Organization purchased a commercial building located in the city of Fullerton, California in October 23, 2018. The total purchasing costs of \$2,724,525 are recorded in the financial statements. During the fiscal year December 31, 2018, the Organization incurred \$9,036 of depreciation expense.

NOTE 5 – DEFERRED GRANT REVENUE

The Organization receives certain grants from various organizations. These grants are allocated according the specified requirements and time frames. Any funds received during the current year that are to be used in the future are recorded as deferred grant revenue.

NOTE 6 – COMPENSATED ABSENCES

The Organization accrues earned vacation hours but not used by the employees at year-end. The accrued vacation recorded in the financial statements is \$29,028 as of December 31, 2018.

NOTE 7 – CONTINGENCY

Revenues from government grants and contracts are recorded to the extent expenses under the grants and contracts are incurred. Revenues recorded under the grants and contracts are subject to government audit and adjustment. Management believes that it has complied with all applicable grant and contract provisions.

KOREAN RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 – TRANSACTIONS WITH RELATED PARTIES

The National Korean American Service and Education Consortium (“NAKASEC”) is an affiliate of the Organization.

		December 31, 2018			
		Amount			
		Received from	Paid to	Payable	Receivable
NAKASEC	\$	909,521	\$ 481,252	\$ -	\$ 25,391
Total	\$	909,521	\$ 481,252	\$ -	\$ 25,391

NOTE 9 – RETIREMENT AND DEFERRED COMPENSATION PLANS

The Organization maintains a defined contribution retirement plan qualified under Internal Revenue Code Section 401(k). Any employee who has been working for 12 months, age of 21 or older, and works at least 1,000 hours is eligible to participate in the plan. Contributions by the Organization are determined at the annual board meeting. The Organization has decided not to contribute retirement fund for the year 2018.

NOTE 10 – CONCENTRATION OF CREDIT RISK

At December 31, 2018, the Organization maintained two operational bank accounts and one interest bearing account in banks located in Los Angeles, California. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. From time to time during the year, the Organization’s accounts in these financial institutions have exceeded the FDIC insurance limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 11 – SUBSEQUENT EVENT

The Organization has evaluated events and transactions that have occurred after December 31, 2018 (i.e., subsequent events) through June 7, 2019, the date at which the accompanying financial statements were available to be issued.

Management has determined that no material subsequent events have occurred during that period that would require the Organization to either recognize the financial impact of such events in the accompanying financial statements, or disclose any such events to ensure the financial statements are not misleading.